

109TH CONGRESS
2D SESSION

S. 2424

To amend the Internal Revenue Code of 1986 to increase the contribution limits for health savings accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 15, 2006

Mr. ALLEN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase the contribution limits for health savings accounts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. INCREASE IN CONTRIBUTION LIMITS FOR**
4 **HEALTH SAVINGS ACCOUNTS.**

5 (a) INCREASE IN MONTHLY LIMIT.—

6 (1) IN GENERAL.—Paragraph (2) of section
7 223(b) of the Internal Revenue Code of 1986 (relat-
8 ing to monthly limitation) is amended to read as fol-
9 lows:

10 “(2) MONTHLY LIMITATION.—

“(A) IN GENERAL.—In the case of an eligible individual who has coverage under a high deductible health plan, the monthly limitation for any month of such coverage is $\frac{1}{12}$ of the lesser of—

“(i) the sum of the annual deductible and the other annual out-of-pocket expenses (other than for premiums) required to be paid under the plan by the eligible individual for covered benefits, or

“(ii) in the case of an eligible individual with—

“(I) self-only coverage, the dollar amount in effect under subclause (I) of subsection (c)(2)(A)(ii), or

“(II) family coverage, the dollar amount in effect under subclause (II) of subsection (c)(2)(A)(ii).

“(B) SPECIAL RULES RELATING TO OUT-OF-POCKET EXPENSES.—

“(i) REDUCTION FOR SEPARATE PLAN.—The annual out-of-pocket expenses taken into account under subparagraph (A)(i) with respect to any eligible individual shall be reduced by any out-of-pocket-

et expense payable under a separate plan covering the individual.

“(ii) SECRETARIAL AUTHORITY.—The Secretary may by regulations provide that annual out-of-pocket expenses will not be taken into account under subparagraph (A)(i) to the extent that there is only a remote likelihood that such amounts will be required to be paid.”

(2) CONFORMING AMENDMENTS.—

(A) Section 223(b)(3)(A) of such Code is amended by striking “subparagraphs (A) and (B) of”.

(B) Section 223(d)(1)(A)(ii)(I) of such Code is amended by striking “subsection (b)(2)(B)(ii)” and inserting “subsection (c)(2)(A)(ii)(II)”.

(C) Section 223(c)(2)(D)(ii) of such Code is amended to read as follows:

“(ii) CERTAIN ITEMS DISREGARDED IN COMPUTING MONTHLY LIMITATION.—Such plan’s annual deductible, and such plan’s annual out-of-pocket limitation, for services provided outside of such network

1 shall not be taken into account for pur-
2 poses of subsection (b)(2).”.

3 (b) APPLICATION OF SPECIAL RULES FOR MARRIED
4 INDIVIDUALS.—Paragraph (5) of section 223(b) of the In-
5 ternal Revenue Code of 1986 (relating to special rule for
6 married individuals) is amended to read as follows:

7 “(5) SPECIAL RULES FOR MARRIED INDIVID-
8 UALS.—

9 “(A) IN GENERAL.—In the case of individ-
10 uals who are married to each other and who are
11 both eligible individuals, the limitation under
12 paragraph (1) for each spouse shall be equal to
13 the spouse’s applicable share of the combined
14 marital limit.

15 “(B) COMBINED MARITAL LIMIT.—For
16 purposes of subparagraph (A), the combined
17 marital limit is the excess (if any) of—

18 “(i) the lesser of—

19 “(I) subject to subparagraph (C),
20 the sum of the limitations computed
21 separately under paragraph (1) for
22 each spouse (including any additional
23 contribution amount under paragraph
24 (3)), or

1 “(II) the dollar amount in effect
 2 under subsection (c)(2)(A)(ii)(II),
 3 over

4 “(ii) the aggregate amount paid to
 5 Archer MSAs of such spouses for the tax-
 6 able year.

7 “(C) SPECIAL RULE WHERE BOTH
 8 SPOUSES HAVE FAMILY COVERAGE UNDER
 9 SAME PLAN.—For purposes of subparagraph
 10 (B)(i)(I), if either spouse has family coverage
 11 which covers both spouses, both spouses shall
 12 be treated as having only such coverage (and if
 13 both spouses each have such coverage under
 14 different plans, shall be treated as having only
 15 family coverage with the plan with respect to
 16 which the lowest amount is determined under
 17 paragraph (2)(A)(i)).

18 “(D) APPLICABLE SHARE.—For purposes
 19 of subparagraph (A), a spouse’s applicable
 20 share is one-half of the combined marital limit
 21 unless both spouses agree on a different divi-
 22 sion.

23 “(E) COUPLES NOT MARRIED ENTIRE
 24 YEAR.—The Secretary shall prescribe rules for
 25 the application of this paragraph in the case of

1 any taxable year for which the individuals were
 2 not married to each other during all months in-
 3 cluded in the taxable year, including rules
 4 which allow individuals in appropriate cases to
 5 take into account coverage prior to marriage in
 6 computing the combined marital limit for pur-
 7 poses of this paragraph.”.

8 (c) SELF-ONLY COVERAGE.—Section 223(c)(4) of
 9 the Internal Revenue Code of 1986 (defining family cov-
 10 erage) is amended to read as follows:

11 “(4) COVERAGE.—

12 “(A) FAMILY COVERAGE.—The term ‘fam-
 13 ily coverage’ means any coverage other than
 14 self-only coverage.

15 “(B) SELF-ONLY COVERAGE.—If more
 16 than 1 individual is covered by a high deduct-
 17 ible health plan but only 1 of the individuals is
 18 an eligible individual, the coverage shall be
 19 treated as self-only coverage.”.

20 (d) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to taxable years beginning after
 22 December 31, 2006.

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